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Weekly Summary

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No. 0013/75
March 28, 1975

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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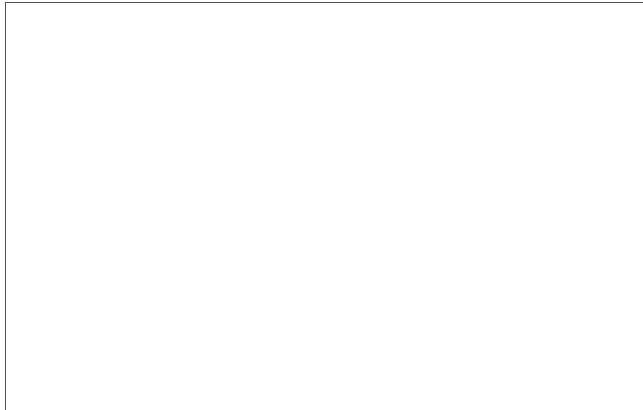
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The declaration also favorably noted Latin American efforts to solve the region's maritime transportation problems, and Colombia, Costa Rica, and Panama agreed to give special priority to the economic development of their common border areas.

A second joint communique, issued on Tuesday, covered the other topics the four leaders discussed. The document was largely an endorsement of positions taken by Venezuelan President Perez and Mexican President Echeverria in their declaration in Mexico City on March 23. It criticized the US Trade Act, called for reforms of the inter-American system, and urged greater cooperation among Latin American countries.

Panama: Summit

General Torrijos received the support he wanted during his three-day conference with the presidents of Colombia, Costa Rica, and Venezuela. At the close of the meeting on Monday, the chief executives signed a "Declaration of Panama" pledging support for Panama's aspirations in the canal treaty negotiations with the US and calling on other Latin American governments to make the same commitment.

Colombia promised to give up its claim to special canal privileges, once Panama signs a new treaty with the US. In return, Torrijos offered to grant citizens and products of both Colombia and Costa Rica that transit the canal exemption from any taxes and duties not levied on Panamanians. Panama will also permit navy ships and war materiel of the two countries to pass through the canal without paying tolls.

The three visiting presidents drafted a letter to President Ford containing the text of their declaration and urging the US to do everything possible to reach an early conclusion of a new canal agreement. Another letter will solicit expressions of support for Panama from all Latin American chiefs of state who were not at the meeting.

Panama's campaign for backing is being directed at international bodies as well as at individual states. Torrijos believes that the UN Security Council meeting in Panama in March 1973 was a key step in getting Panama's case before a worldwide audience, and he very much wants the Security Council seat that Costa Rica will vacate later this year. He has claimed that his three guests promised their countries' votes to Panama. Argentina remains the leading candidate for the seat, however.

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South Vietnam: A Bleak Picture

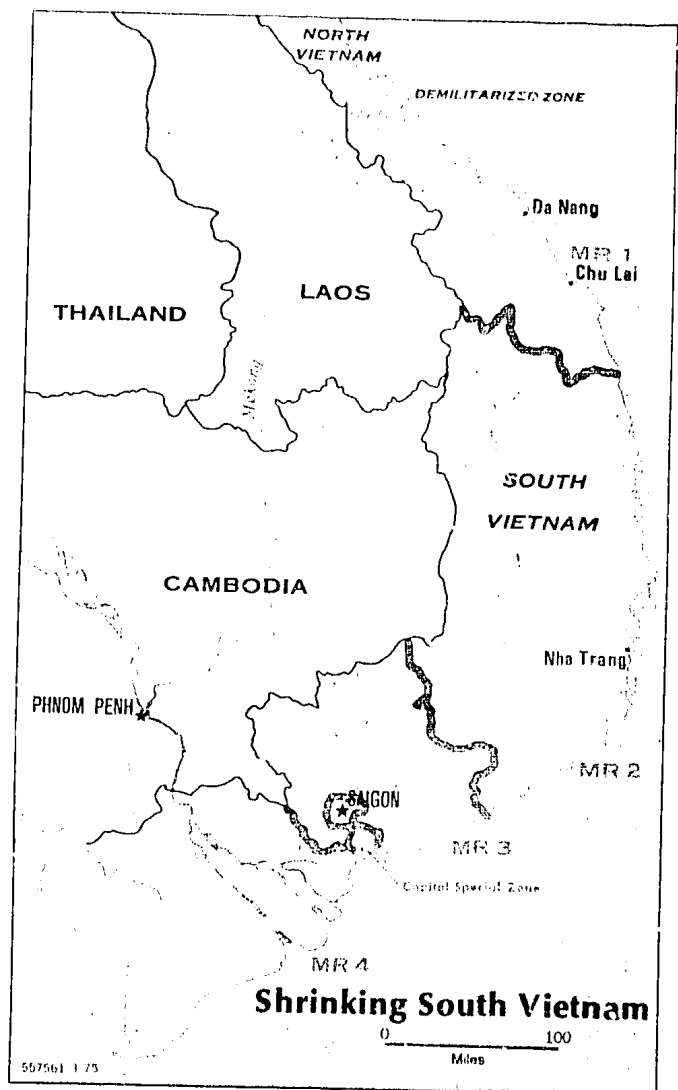
The government's remaining positions in the northern two thirds of South Vietnam are collapsing rapidly following President Thieu's decision to shift abruptly to a strategy of military retrenchment.

Thieu had concluded that his forces in the highlands were not only overextended and undersupplied but were facing a greatly superior North Vietnamese force. He decided two weeks ago to concentrate his troops along the northern and central coasts and around Saigon, where they could protect the bulk of the population. Thieu clearly wanted to take the communists by surprise, extracting his forces before the communists could tie them down or block their way out. He appears to have given no thought to preparing the ground with his own generals, however, and he caught them completely by surprise, too. In any event, the enemy has moved quickly to disrupt the South Vietnamese withdrawals, while the government's senior military leaders have reacted with dismay. Their lack of confidence has been reflected down through the ranks. With no prior planning or preparation, the withdrawals have not been orderly. Most of the government forces have been cut off from each other and have been seized by an evacuation mentality, moving in disarray along routes choked with civilian refugee traffic. The South Vietnamese have not stood and fought, and most casualties have been suffered by units fleeing heavy contact on the coast or trying to escape past communist blocking positions on the edge of the highlands.

The situation in Military Region 1 is particularly bleak for Saigon. Government forces have evacuated virtually the whole region, attempting to hold only an enclave around Da Nang. Perhaps over a million refugees have poured into the city during the last week, however, and law and order and essential services are breaking down. Stragglers from retreating units are staging shootouts with police amid panicky mob scenes at the airport. The government has two of its better divisions deployed to defend the

city, while remnants of two others are coming in from nearby, but it is questionable whether even the Marines and the still intact 3rd Division will fight well when they learn of the extent of the collapse of all the forces around them. Two fresh communist divisions west of the city are preparing to attack, and a third appears to be coming south to join them.

The picture in Military Region 2 is only slightly less bleak. The forces attempting to



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Refugees near Nha Trang flee southward

escape the highlands have been badly mauled, and the communists have an enormous local advantage, with five divisions facing just over one effective division on the government side. Nha Trang and the other enclaves will probably fall soon unless reinforcements are sent, and this seems unlikely in view of the high priority the government gives to the defense of Saigon.

The government enjoys an overall advantage in forces around Saigon and in the delta, at least for the moment, and it is possible that some of the forces currently in Da Nang will be extracted and regrouped to help defend the southern heartland. The government, however, must soon make a decision whether to allow the 25th Division to remain around Tay Ninh City to defend that symbolically important town or to pull it back to strengthen a somewhat contracted defensive arc closer to Saigon.

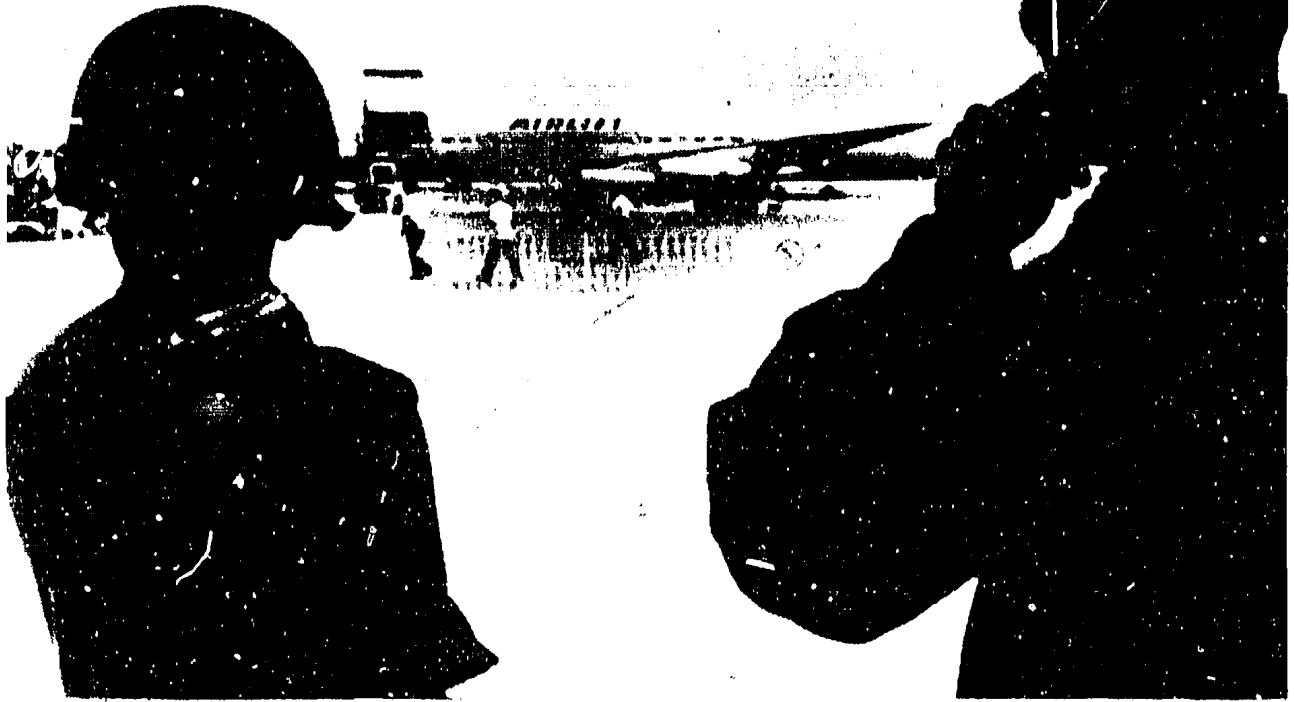
The collapse of South Vietnam's armies in the northern two thirds of the country has occurred with such speed that the full magnitude of the disaster has not yet registered in Saigon. Thieu has proposed a cabinet reshuffle of a kind that might have served to broaden the

base of his government in more normal times, but such measures fall far short of the mark in the light of present realities. Immediately following an announcement by former vice president Ky that he was coming out of retirement to engage in political activity again, a number of political figures were arrested amid charges in the press of coup plotting. It seems unlikely that any of the individuals involved would have the clout to mount a serious coup plot, and the arrests may have been intended by Thieu as a warning to others. There is presently no evidence of coup plotting among those who do have the power—the senior military leaders—and indeed there seems to be some recognition of the dangers that a coup attempt would entail.

Thieu is undoubtedly already discredited with many of his senior commanders, however, and the mood in Saigon is likely to turn ugly as news from the north continues to spread. The communists are beginning to try to sow additional seeds of discord, with the Provisional Revolutionary Government offering amnesty to those who take even limited steps of accommodation with them—for example, by supporting third-force movements.

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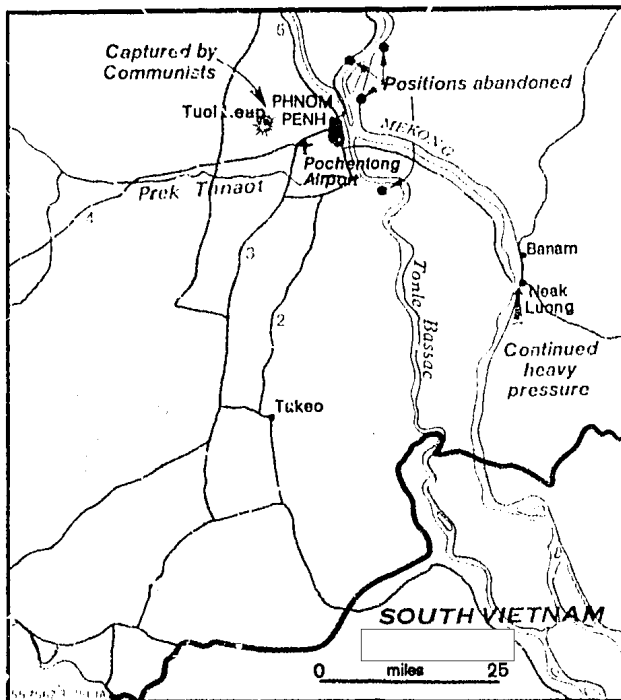
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CAMBODIA: DOUBLE JEOPARDY

The vital US airlift came under new attack from an unexpected quarter. Leading officials in the new Thai government told newsmen in Bangkok of their reservations over the use of Thai soil for the transshipment of military equipment to Phnom Penh. So far, Bangkok has taken no official action against the airlift, indicating that the press statements may have been meant only for public consumption while Thai officials continue to look the other way as the ammunition flights go on. This strategy could unravel, however, if Bangkok's free-wheeling press or the new government's political opponents chose to make the airlift an issue.

A more direct threat to the airlift materialized at midweek as Cambodian army units abandoned the town of Tuol Leap, allowing the Khmer Communists once more to move within artillery range of Pochentong airport. Rocket attacks halted the airlift last weekend, but the resumption of more accurate artillery fire poses a serious possibility that the communists may be



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able to damage aircraft and facilities at Pochentong to the degree that airlift operations will become impossible.

ulation that Lon Nol was planning to go abroad in the near future. [REDACTED]

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Government forces also gave ground on other battlefronts around Phnom Penh this week. Along the Mekong River, two government battalions withdrew from positions opposite the main navy headquarters, following several weeks of steady insurgent attacks, and the navy evacuated ground units from two garrison towns farther upstream. Communist units on the east bank continue to hit downtown Phnom Penh with daily rocket attacks.

Along the lower Mekong, communist gunners are continuing to pound the government enclave stretching between the towns of Banam and Neak Luong. So far, the 4,000 government defenders have repulsed insurgent efforts to cut the enclave in half.

CABINET RESHUFFLE

On the political front, the government has announced the completion of the cabinet reshuffle. The major change was the naming of armed forces chief of staff Sak Sutsakhan as defense minister. Sutsakhan was also named deputy prime minister, a move apparently designed to emphasize his civilian role and the government's increased control over the military establishment. The only other changes of significance were the appointment of Socio-Republican strong man Hang Thun Hak as a second deputy prime minister and the removal of the notoriously corrupt interior minister, Ek Proeung. The new ministerial announcements went largely unnoticed amid the increasing spec-

LAOS: JITTERY RIGHTISTS

The deteriorating military situation in South Vietnam and Cambodia is giving Lao rightist politicians and generals the jitters. Coalition Defense Minister Sisouk na Champassak and northern region commander General Vang Pao are despondent. They are bitterly critical of the lack of congressional support for the Thieu and Lon Nol regimes and are seriously worried about continuing US support to the non-communist side in Laos.

Sisouk, Vang Pao, and probably many other non-communists apparently fear that, at a minimum, communist battlefield successes elsewhere in Indochina will embolden Pathet Lao members of the coalition government to adopt a more aggressive political posture in pursuit of their major policy objectives.

Prime Minister Souvanna Phouma, however, is viewing recent developments in South Vietnam and Cambodia with equanimity. He probably believes that the rapidly declining military fortunes of the Saigon and Phnom Penh governments vindicates his two-year-old policy of national reconciliation and political accommodation with the Lao communists and their backers in Hanoi.

[REDACTED] Souvanna recently stated that Laos cannot rely on continued US support and must either maintain a posture of strict neutrality or risk the inevitable communist military take-over which he believes awaits Cambodia and South Vietnam, and perhaps eventually Thailand. [REDACTED]

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CHINA: EARTHQUAKE

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The major earthquake that rocked part of northeast China on February 4 caused widespread damage and probably many casualties.

The third big quake in China in the past two years, it registered 7.3 on the Richter scale and was sharp enough to be felt in Peking, Seoul, and eastern Siberia. Unlike the other two quakes, which occurred in the remote west and southwest, it jolted a densely populated and highly industrialized area in southern Liaoning Province.

Characteristically Peking has maintained silence on the amount of damage, but otherwise the quake has been accorded the highest level of attention given any natural disaster in recent years, suggesting that the impact of the quake was much greater than has been acknowledged publicly. A Politburo member and ranking vice premier, Teng Hsiao-ping, reportedly visited the site and assigned a fellow Politburo member and vice premier, Hua Kuo-feng, to deal with the problem.

extensive relief efforts and some industrial damage but does not indicate

the scope or severity of the shock. Evidence of damage [redacted] was largely confined to an area 60 miles in radius from the reported epicenter. There was no discernible structural damage to major industrial plants, but damage was evident to some small plants, military structures, and several housing units.

An-shan, China's largest metallurgical complex, appeared undamaged, but was apparently operating below capacity. The lack of visible structural damage suggests that below-capacity operation was due primarily to damage to workers' property and other indirect problems resulting from the quake. [redacted] reported that the quake had caused severe property damage and many deaths at An-shan.

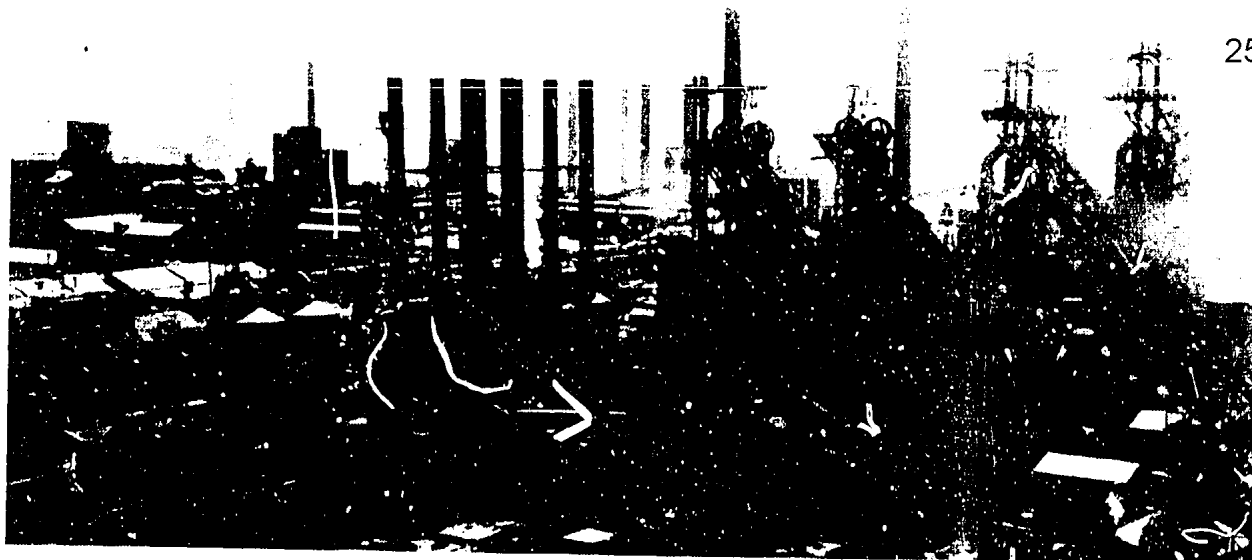
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No other major plants appeared to be badly damaged. The Pan-shan petroleum refinery was not emitting smoke, but it appeared intact. In the same area, work at the construction site of the second of ten ammonia plants purchased from a US firm continued to be delayed more than a month after the quake. Industrial areas at Fu-shun, Shen-yang, and Pen-chi apparently escaped most of the quake's impact.

The An-shan metallurgical complex

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Damage to transport facilities was not enough to disrupt normal operations. Two highway bridges were damaged and a span was down on the branch rail line running off the high-capacity Shen-yang - Dairen railroad to a salt mining area near Ying-kou. This line—one of China's busiest—is the key route for moving crude oil from the large Ta-ching fields to Dairen for export to Japan.

the city is still taking precautionary measures.

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As of mid-February, communications south of Shen-yang were still interrupted and rail traffic had not been resumed. Apparently, there were also heavy casualties—one news account reported 5,000. A large civil and military airlift flew supplies and medical teams into the affected areas. Other reports indicated that at one point some 800 trucks were assigned to help move supplies. The Liaoning Military District dispatched over 40,000 troops to help out with agricultural production, while adjacent provinces sent in aid teams.

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large numbers of trucks and buses and numerous camps containing thousands of tents. Piles of debris, household effects, and rubble could be seen throughout the area, indicating that structures had suffered internal damage, even though the roofs appeared intact. travel was restricted within a 125-mile radius of the epicenter, and residents were forbidden to even talk about damage.

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Throughout February after-shocks and tremors were felt in the area and as far away as Shantung. More quakes are occurring or are expected in other areas. A quake of less than 5 on the Richter scale forecast for the Tientsin area between March 1 and 10 did not occur, but

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Goncalves and Costa Gomes

PORTUGAL: LEADERSHIP CHANGES

Communist representation in the Portuguese government increased this week with the naming of a new cabinet, although moderates had some qualified success in retaining influence in both the cabinet and the more important and powerful Armed Forces Revolutionary Council.

The new cabinet chosen by Prime Minister Goncalves comprises 13 civilians and 3 military officers. A breakdown of the cabinet according to party affiliation of the 13 civilian ministers shows that the posts were allotted equally to the four members of the coalition—the Communist Party, the Portuguese Democratic Movement, the Popular Democratic Party, and the Socialist Party. Each received one ministry without portfolio and one other post. Of the remaining five civilian ministers, three are moderate—technical experts—and two are Communist sympathizers. The latter two are in positions important to the

Communists—the economic coordination and agriculture posts.

The announcement of the new cabinet was delayed because the Socialists threatened to withdraw from the government coalition if their demands for representation were not met. The Popular Democratic Party threatened to follow suit.

A leading moderate in the Armed Forces Movement, Major Ernesto Melo Antunes, replaces Socialist Party leader Mario Soares as foreign minister. Soares will now be a minister without portfolio. Another prominent Movement moderate, Major Vitor Alves, will reportedly be named ambassador to the United Nations.

Although the Revolutionary Council has virtual dictatorial powers, the cabinet is still important in terms of day-to-day administration. President Costa Gomes said this week that the Council's role might be reduced if the cabinet proves it can take decisive action to implement reforms.

The Revolutionary Council as initially constituted, was made up of Prime Minister Goncalves, Continental Operations Command Chief Brigadier General Carvalho, seven members each from the former Junta of National Salvation and the Movement Coordinating Committee, and eight lesser ranking officers. The concern of military moderates over the radical posture of the new Council brought pressure that resulted last Saturday in the inclusion of four additional officers—three of them considered moderates, among them majors Antunes and Vitor Alves. Participation of the three new moderate members in Council decisions may be limited, however, because of their other duties.

None of the members of the Revolutionary Council is known to be a communist, although Goncalves and Carvalho are believed to be strongly influenced by them. Five of the seven members from the junta are known to favor socialism but to oppose the Movement radicals. The remaining two are reputed to have a

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pro-communist bias. Members from the Coordinating Committee range from extreme leftists to strong anti-communists, with a reasonably balanced representation that reflects the narrow Portuguese political spectrum.

Little is known about the eight lower ranking officers in the new Council although one has been a secretary to Prime Minister Goncalves and another an aide to General Carvalho. A third is believed to be a member of a communist labor group and a fourth to have anti-US views.

At the swearing-in ceremony for the new cabinet this week, Goncalves announced that efforts to nationalize "basic sectors" of the economy would continue. Although he did not specify the sectors affected, he said the areas in which private enterprise would be allowed to expand would be delineated. The Portuguese leadership, including the Socialists and other moderates, appears unified in its determination to eradicate special privilege among the members of the oligarchy.

Goncalves also warned that Portugal is living beyond its means and that it faces "a regime of total austerity." He said the government would present a program to deal with unemployment and devise a price and incomes policy. [REDACTED]

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CYPRUS: TALKS DELAYED

The resumption of intercommunal negotiations between Greek and Turkish Cypriots, which was called for by the UN Security Council resolution of March 12, has been delayed following disagreement over the venue and level of the talks.

The Greek Cypriots, who are anxious to have the UN play as large a role as possible, at first insisted on New York as a negotiating site, but they are now willing to settle for Geneva.

The Turkish Cypriots, however, are trying to minimize the role of the UN—and particularly that of Secretary General Waldheim—and have proposed Rome, Vienna, or even Tehran. They have also threatened to replace Rauf Denktash as negotiator with someone of lesser stature. Such a move would be aimed at supporting Denktash's contention that as president of the recently proclaimed Federated Turkish State of Cyprus he is equal to President Makarios and can no longer negotiate with Glafkos Clerides, who holds a lower rank. If Denktash is replaced, the Greek Cypriots are likely to retaliate by appointing a new negotiator.

The replacement of Clerides and Denktash with individuals of lesser stature would deal a serious setback to the talks and increase the likelihood that Athens and Ankara would become more directly involved. The UN special envoy to Cyprus, Luis Weckmann, is consulting with the two sides in an effort to get the talks resumed.

In the meantime, relations between Athens and Ankara remain strained as both sides continue to trade charges. Athens this week protested what it termed provocative actions by Turkey in Thrace and the Aegean, while Ankara claimed the Greeks were illegally building up their military forces in the Aegean. [REDACTED]

Clerides

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Enrico Berlinguer (r) with Communist leaders Lama (l) and Tortorella

ITALY: COMMUNIST CONGRESS

The Italian Communist Party's national congress, which ended on March 23, was clearly intended to calm fears that Communist participation in the government would threaten Italian democracy and jeopardize Rome's ties with the West. The Communists had trouble getting their point across, however, because of the growing controversy over the implications for Italy of recent events in Portugal.

Communist chief Berlinguer's speeches were conciliatory in tone and emphasized his gradualist approach to achieving a direct voice in the government. He called again for an "historic compromise" that would bring Italy's three largest parties—Christian Democrats, Communists, and Socialists—together in a governing coalition. Berlinguer made it clear, however, that he is in "no hurry"—a point reflected in the final congress document, which called merely for a "more structured" relationship between the Communists and the governing parties. This is the Communists' way of saying that they would be satisfied for the time being with a limited concession such as formalized consultations on legislative matters.

Differences between the Communists and the governing parties have narrowed in recent years on some domestic issues, such as economic policy, and this has left disagreements on foreign policy the major substantive obstacle to broader participation by the Communists. Berlinguer therefore highlighted the recent

change in the party line on NATO, claiming, for example, that Italy's defense ties would not become an issue if the Communists are admitted to the government. He stressed, however, the party's expectation that detente would lead eventually to the dissolution of both NATO and the Warsaw Pact and reiterated the Communists' support for a unified Europe independent of both the US and the USSR.

To the Communists' chagrin, discussion of these issues was largely obscured by the dispute that developed over their initial failure to criticize the Lisbon regime for banning Portugal's Christian Democratic Party. When Berlinguer sidestepped the issue in his opening speech, the Italian Christian Democrats pulled their observers out of the congress, charging that "communism has not changed."

The timing of the Lisbon events could not have been worse for Berlinguer and the Communists. They had hoped that their conciliatory posture would make it more difficult for the Christian Democrats to argue effectively against Communist participation in a future government in Rome. Instead, the Christian Democrats pointed to the Portuguese situation as evidence of what happens when Communists gain substantial influence in a government. The Christian Democrats seemed ready to make the matter a major issue in their campaign for the crucial local elections set for June.

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Speakers in the closing sessions of the congress began to criticize the Portuguese government's action, and Berlinguer joined them in his concluding remarks. Berlinguer agreed that the ringleaders of the abortive coup should be punished, but he maintained that Lisbon erred when it banned a number of political parties. He stopped short of criticizing the Portuguese Communists directly, but the final congress report noted that the Italian Communists' international ties do not preclude criticism of the actions taken by other Communist parties.

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FRANCE-USSR: CHIRAC VISIT

French Prime Minister Jacques Chirac completed a five-day visit to the USSR on March 24, the first by a French head of government since 1967 when Pompidou visited Moscow. The trip was billed as a preliminary for President Giscard's visit to the USSR this fall, but the Soviet leaders probably also wanted an opportunity to size up the man whose take-over of the Gaullist party has ensured him a leading role in French politics for the next several years at least. Chirac met with Brezhnev for three hours on his last day in Moscow.

The joint communique issued at the close of the visit produced no surprises and follows closely the positions taken by Giscard and Brezhnev at their meeting in France last December. It conveys the impression of routine discussions and a close convergence of views. The two sides pledged to "intensify their efforts to assure, in the near future, the total success of CSCE and its conclusion at the highest level." They agreed that a durable Middle East peace

can be based only on Israeli withdrawal from territory occupied in 1967, restoration of the legitimate rights of the Palestinians, including a homeland, and agreements guaranteeing independence for all people in the area. An early resumption of the Geneva talks is required.

The communique called for strict respect for the independence, sovereignty, and territorial integrity of the Republic of Cyprus and added that the settlement of that problem must come from negotiations, not unilateral divisions of the island. All foreign troops should be withdrawn and the pertinent UN resolutions implemented.

Moreover, the communique urged all signatories to the Paris accords on Vietnam to abide by the provisions of those accords, and asked that the Cambodians be allowed to settle their problems without foreign intervention.

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ROMANIA: PERSONNEL CHANGES

Recent changes in party and government personnel have again demonstrated party boss Ceausescu's determination to tighten discipline.

At a Central Committee plenum last week, Gheorghe Pana, party secretary for cadre affairs, was ousted from the secretariat and put in charge of the trade union organization. His downfall probably came as a result of his inefficient utilization of the party organization during the parliamentary elections of March 9. The final tabulation showed a record high, though still small, negative vote.

The plenum appointed Emil Bobu and Iosif Banc as new party secretaries. Until his election, Bobu was minister of interior. Although his background suggests that he will have the secretariat's portfolio for internal security, he may turn his talents to whipping the party organization into line. Banc, returning to a national-level post after an absence of two years, will apparently head up the secretariat's economic section.

Virgil Actarian, a Central Committee member and minister of machine tools, was ousted from both posts for "serious deficiencies in his activity and for lapses from the principles of socialist ethics"

Actarian's removal follows Ceausescu's demands at the party congress in November that all party and government leaders lead a moral and exemplary life. Ceausescu returned to this theme last week by ending the plenum with a spirited warning that party life cannot be differentiated from personal life and habits.

Because Ceausescu scheduled the personnel changes for last week, he missed the Hungarian party congress—the only Warsaw Pact party first secretary to do so. The reshuffling thus became a pretext for his absence, which was intended to underscore Romania's determination to adhere to its independent ways.

HUNGARY REAFFIRMS KADAR LEADERSHIP

The 11th Hungarian party congress last week endorsed the continued leadership of 62-year-old party chief Janos Kadar and his moderate policies.

Two strong advocates of economic reform who had lost political ground a year ago were removed from the ruling Politburo. On the other hand, Gyorgy Aczel, a close adviser to Kadar and a moderate on cultural policy, apparently has recovered from the setback he suffered last year and remains in the leadership. Furthermore, the backgrounds of the four new Politburo members suggest that the body will be even more responsive to Kadar's lead. Three newcomers were drawn from the key policy areas of youth affairs, domestic and CEMA planning, and cultural matters. The fourth, who has little experience in his apparently new responsibilities for foreign relations, is a former head of the party daily who was demoted last year.

The nature of the personnel shifts reflects Kadar's intent to tighten up in the economic and cultural fields, but without seriously compromising his basically moderate approach. Efforts to impose greater ideological unity may be aided by the exchange of party cards set by the congress for later this year.

The country's economic difficulties received considerable attention at the congress. In his lengthy keynote address, Kadar told the Hungarians that they must adapt to permanently higher prices of raw materials by working harder and by more effectively integrating their economic activity with that of other CEMA countries. He glossed over the difficulties lying ahead, however, and cited some optimistic—if unrealistic—projections of standard-of-living increases.

On international affairs, the Hungarian leader described detente as the main trend in world politics, effusively praised the Soviet Union and Brezhnev personally, and strongly attacked Maoism for weakening the communist movement.

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IRAQ-IRAN: THE KURDS PAY

Massive numbers of Iraqi Kurds are trying to leave the country following the collapse of their armed rebellion as a result of the cutoff of Iranian support. Rebels who stay behind face an onslaught by Iraqi forces when the cease-fire agreed to two weeks ago expires on April 1.

month. Their progress is hampered by distance, snow, rough terrain, and lack of transport.

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Loss of the Iranian aid, on which they had depended, has had a shattering impact on the Kurds—a minority of about 2 million in Arab-ruled Iraq—and has left their leadership in disarray. They are bitter over what they regard as betrayal by the Shah. Aging rebel chief Mulla Mustafa Barzani, who has fought Baghdad intermittently since 1961, has in effect stepped down and reportedly will seek refuge in Iran. There is no one of comparable stature to replace him as a leader accepted by most Kurds.

Tens of thousands of Barzani's followers are fleeing along the mountain roads of Kurdistan toward the Iranian and Turkish borders; Barzani, in recent press interviews, has indicated that some 200,000 Kurds are trying to get out before the deadline of March 31 set by Tehran for accepting refugees. Approximately 140,000 Iraqi Kurds had already taken refuge in Iran before the rebellion collapsed. A large number of Kurds are apparently opting to take their chances under the amnesty promised by Iraqi authorities to those who surrender before the end of the month.

The Iraqi government is impatiently waiting out the temporary truce it conceded as an accommodation to the Shah. After March 31—if it has not done so before—Baghdad will almost certainly resume the all-out drive through Kurdistan that it launched immediately after the Shah and Iraqi strong man Saddam Husayn Tikriti concluded their accord on March 6. Some Kurdish fighting units—perhaps including as many as 9,000 men—have vowed to continue the struggle from mountain hideouts, but they have only a limited capability to resist a new advance by Iraqi forces.

Many of the Kurds now in flight probably will not reach the border before the end of the

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MALAGASY REPUBLIC: STILL UNSETTLED

The 18-member military directory that took control of the Malagasy Republic last month continues to be preoccupied with matters of national and personal security, amid signs that the unity of the ruling group is beginning to crack. The trial of police rebels and some old-line politicians could lead to more trouble.

The military group has imposed tight security ever since the assassination of Colonel Ratsimandrava early last month after only six days as head of state and government. Directory members clearly fear for their personal safety and are also concerned that violence may break out between coastal tribesmen, who constitute the majority of the population, and the more advanced Merina of the central plateau. The two ethnic groups have long been bitter rivals. Brigadier General Gilles Andriamahazo, who heads the directory, belongs to the Merina group.

The tight security measures have prevented any overt antigovernment activity or public demonstrations. At the same time, however, they have contributed to the spread of wild rumors, which, added to shortages of consumer goods and the existing economic distress, have produced a climate of apprehension and frustration.



Ratsiraka

Andriamahazo has succeeded in sharply limiting his role.

Directory members are apprehensive over public reaction to the trials related to the assassination. The trials began on March 21 and will be prolonged. In addition to police and military dissidents, the government is prosecuting Andre Resampa, secretary general of the predominantly coastal Malagasy Socialist Party, and Philibert Tsiranana, who was the country's president from independence in 1960 until he was forced out by the military in 1972. Tsiranana is still highly regarded by many coastal tribesmen.

The handling of the trials poses a dilemma for the directory. If the prisoners are given stiff sentences, the coastal people will likely react against the regime; if only light sentences are imposed, students in Tananarive, most of whom are Merina, and other discontented groups may foment disorders.

Andriamahazo, who is a respected moderate and friendly to the US, is also having problems within the directory with Commander Didier Ratsiraka, an ambitious coastal tribesman. As foreign minister from 1972 until early this year, Ratsiraka pushed a policy of militant nonalignment, which appeals to the younger directory members. He is apparently trying to reassert control over foreign affairs, but so far

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Mexico-Venezuela ECONOMIC ORGANIZATION PROPOSED

Presidents Echeverria of Mexico and Perez of Venezuela during talks last week called for a meeting of Latin American heads of state to create an exclusively Latin American economic organization. The meeting probably will take place this fall.

The fundamental objectives of the proposed organization—to be known as the Latin American Economic System—are to:

- Channel capital into economic development projects.
- Encourage Latin American multinational enterprises.
- Defend prices and ensure markets for raw materials and manufactured goods.
- Increase the supply of food.
- Promote scientific and technical cooperation.
- Promote cooperation with other regional organizations, especially in the Third World.

The proposal is getting a mixed reception. Apart from its Mexican and Venezuelan cosponsors, only Cuba, Peru, and Panama seem eager to see such an organization created. The reaction of other governments ranges from mild skepticism to outright rejection. There is uncertainty as to whether the proposed group will try to replace the OAS, create strong producer cartels, merely build on the existing Special Latin American Coordinating Committee (CECLA) economic grouping, or serve other goals. Its cosponsors assert that it will not duplicate or replace similar organizations operating in the region.

In time, a number of governments probably will accept an invitation to join, but old

rivalries, differing national interests, and a concern that the organization could lead to trouble with the US will temper their commitment.

Despite the lukewarm reception, Mexico and Venezuela appear determined to shepherd the fledgling organization into existence. It could begin, they say, with only two or three other countries, but they obviously hope the organization would attract additional members.

Details are a long way from being worked out, but proponents say that one of the organization's first attempts at doing something will be in the area of government-to-government joint projects. Last week, Mexico, Venezuela, Costa Rica, and El Salvador agreed to form a multinational coffee enterprise whose aim is to stockpile coffee. Other Central American countries probably will join later. Some 40 to 50 other projects, mostly in mining, petroleum, and industry, have been discussed. Raising money for them would presumably be the responsibility of the countries involved, but some governments might be expected to take the lead in bankrolling the organization.

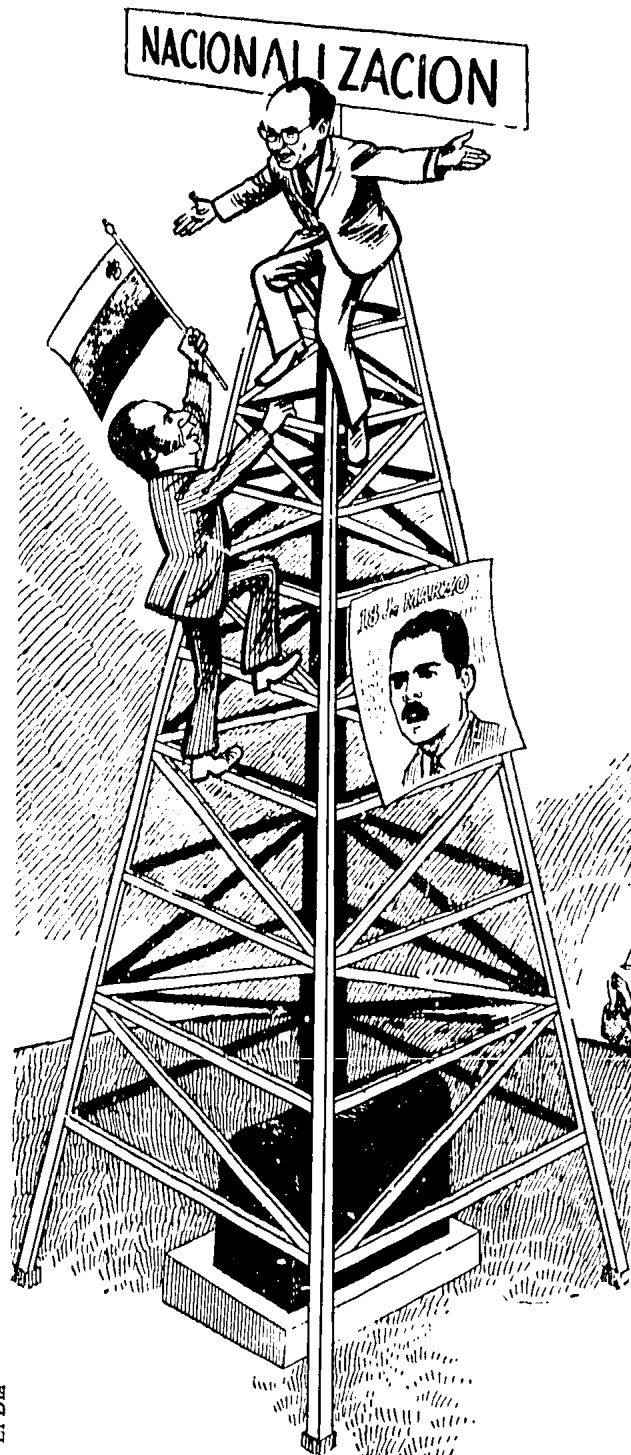
Venezuela is the most likely candidate to provide funds. Caracas has already shown a desire to use its oil riches to finance development loan banking schemes and the coffee-stockpiling venture for Central American countries. It is looking for other ways to put part of its excess money to work outside the country rather than use it domestically and fuel inflation.

The Venezuelans will want a key role in determining what projects the new organization is to undertake. The Perez government will not foot the bills for foolhardy or unmanageable ventures; its experiences with unlikely schemes devised in the Latin American Energy Organization will make it look closely at projects proposed by the new group.

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Perez joins Mexico in nationalizing the petroleum industry

VENEZUELA: SETTING THE TERMS

President Carlos Andres Perez has released details of his government's plans to nationalize the foreign-owned petroleum industry this year. Although some opposition has been voiced, the government-controlled congress is expected to give early approval to the bill.

The release of the administration's program for taking over the 50-year-old petroleum concessions was somewhat anticlimactic. Leaked versions of the government bill and subsequent amendments have appeared in the Caracas press for the past several months; several leftist opposition parties had already indicated their intention to dispute some of the more controversial features.

In a characteristic gesture, Perez accepted the incipient political challenge and—in a lengthy speech to the congress last week—spelled out details of his proposals. He pointedly told the lawmakers that he would accept some modification of the wording but no limitation on the government's flexibility in operating the multibillion-dollar industry.

At issue are two fundamental changes that Perez made in the Reversion Committee's draft. The first would eliminate the word "exclusive" from the sentence stating that "foreign trade of hydrocarbons shall be under the exclusive control of the state." The other, considered more significant by the leftist opposition, would provide the legal basis for new operating agreements with the US oil companies after nationalization. Opposition parties have demanded exclusive state control of the management and operation of all phases of the industry, including foreign marketing.

In a remark aimed at his critics, Perez emphasized that Venezuela cannot indulge in sterile extremism regarding policies that affect petroleum, which he declared is the "nucleus of the economy and core of the future." He admitted the many problems involved in taking over the major extractive industry, but he again voiced optimism that Venezuela will be capable

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of managing the industry and fulfilling its commitments as a reliable supplier of petroleum. Acknowledging that technological deficiencies are the country's most difficult problem, Perez welcomed the assistance of "valuable foreign technical cadres who identify themselves with Venezuela's views and interest." His choice of words suggests that he is prepared to look to all sources for technical assistance and personnel.

There are strong indications that the President intends to take advantage of his widespread public backing to prevent the bill from becoming mired in political debate. Although consideration of the bill would normally take up to two months, a government official suggested that the process might be speeded up by declaring it "urgent legislation." The draft provides a 120-day grace period after enactment before oil concessions terminate; thus, even if Perez is able to move the bill through congress quickly, he will still have sufficient time to negotiate agreements with the oil companies.

Early enactment of the bill would give Perez almost unlimited flexibility in working out operating agreements with the companies,

while at the same time putting them under a short negotiating deadline. Thus far, negotiations with the oil company representatives have been limited in scope and confined mainly to the larger concessionaires. The question of compensation has not been discussed and the government is not required to submit its formal offer until 45 days after the law is passed. The oil companies, for their part, do not yet consider compensation a major issue.

Perez' handling of the oil nationalization issue and his personal identification with its terms reflect his confidence in his political power. His political standing has been strengthened by the public acclaim accorded his recent trip to Algiers for the OPEC summit and his well-publicized meetings with President Echeverria in Mexico City and with General Torrijos and the presidents of Colombia and Costa Rica in Panama City. These travels have reinforced Perez' own perception of his leadership in Latin America, and also provided a boost for Venezuelans, who take pride in their country's and their President's new prominence and influence on the world scene.

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ARGENTINA: GROWING UNREST

Argentina is witnessing its largest wave of political violence and labor unrest since President Peron took power last July. More than two dozen people have been killed in terrorist actions during the past week. At the same time, over one hundred persons have been arrested by police in an effort to halt the occupation of factories by workers protesting the detention of left-wing trade union leaders. The leftist union leaders were rounded up last Thursday, when the government announced it had uncovered a plot to paralyze key industries.

Meanwhile, union leaders in the Peronist-controlled labor movement, Mrs. Peron's main bulwark, are maneuvering to increase their influence in the government and to force the President to remove her chief adviser, Social Welfare Minister Lopez Rega.

If Mrs. Peron does not give these labor leaders more heed, she will probably find them joining the military in demanding that she make major changes in her government to deal with deteriorating political and economic conditions.

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